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SUBJECT: BRAZIL AND INDONESIA: A RELATIONSHIP FOR THE FUTURE

¶1. (SBU) Summary: During a November 18-19 visit to Brazil by Indonesian President Susilo Yudhoyono, Indonesia and Brazil agreed to cooperate in agriculture, including biofuels; mining; and poverty eradication. They formalized a strategic partnership for ongoing dialogue and cooperation. Brazilian diplomats characterized the budding ties as "a relationship for the future" that will take time to develop. The top priority is to increase bilateral trade, now at only about two billion dollars a year. End summary.

Taking Their Rightful Places
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¶2. (SBU) First Secretary Ricardo Portugal, the Indonesia desk officer at the Brazilian Ministry of External Relations, told poloff it is "a relationship for the future" that is just getting started. Brazil and Indonesia signed a Strategic Partnership Declaration under which they will "intensify politico-strategic, economic-commercial, socio-cultural, scientific-technical, and environmental cooperation." In public remarks, Lula emphasized Brazil's interest in working with Indonesia "to mold a more humane and equitable globalization," and described the strategic partnership as one between "two countries determined to assume the place that corresponds to them in a world of profound transformation." Lula also said UN reform, especially UNSC reform, is the "first step toward building true multilateralism." Both First Secretary Purnawan Adi Sujasa, political officer at the Indonesian Embassy in Brasilia, and Ricardo Portugal said the two countries agreed the UNSC should be enlarged to give developing countries more representation.

Trade, Above All
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¶3. (U) The primary goal of both countries is to increase bilateral trade, now at about two billion dollars a year, and Lula said bilateral trade could reach three billion dollars in 2009 if the current trend continues. At present, Brazil has a slight trade surplus with Indonesia, but the surplus has flipped back and forth: it was in Brazil's favor in five of the last eight years. The trading profiles are similar, with extractive and unprocessed agricultural products high on both countries' export lists, although Brazil's top export is semi-finished iron or steel products. Brazil's other main exports to Indonesia are bagasse, iron ore, cotton, and tobacco. Indonesia's top exports to Brazil are rubber, palm oil, cacao, and polyester fibers, followed by manufactured goods such as automotive gearboxes, artificial fibers, and

fiber optic cables. Sujawa said that, in spite of strong interest in increasing trade on both sides, the prospects of a free trade agreement between Indonesia and Mercosul are remote in the near term. (Note: Mercosul members may not individually enter into bilateral FTAs, but the bloc may. End note.)

Second Priority: Cooperation

14. (SBU) Portugal said Brazil's goal with Indonesia is to establish a "strategic partnership" focusing on energy, trade, and agriculture. The MOU on agriculture includes biofuels development and builds on previous bilateral biofuels agreements signed in 2007 and July 2008 to strengthen cooperation, exchanges, and technology sharing. Brazil and Indonesia also signed MOUs on mining and energy and poverty eradication, where Indonesia would like to learn from Brazil's experience with the "family stipend" (bolsa familia) program, Sujasa said.

Previous Summits

15. (U) Presidents Lula and Yudhoyono last met at the G-20 summit just days before the Brasilia summit, and in Jakarta in July 2008 during Lula's multi-country Asia and G-8 trip. Earlier summits were in 2001, when Fernando Henrique Cardoso visited Abdurrahman Wahid in Jakarta, which was the first visit of a Brazilian president to Indonesia, and in 2000, when Wahid visited Brazil.

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Comment: Indonesia as Part of Lula's Larger Plan

16. (SBU) Brazil's interest in strengthening its relationship with Indonesia should be viewed within the larger context of President Lula's foreign policy goals of actively diversifying trade partners, fortifying south-south ties, and raising Brazil's global profile. Brazil's outreach to new partners is also intended to garner support for its aspiration for a permanent UN Security Council seat and its positions in various international fora such as the WTO. SOBEL